

**UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE COMMONWEALTH OF PUERTO RICO, *et al.*,

Debtors.¹

PROMESA

Title III

No. 17 BK 3283-LTS

(Jointly Administered)

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

PUERTO RICO SALES TAX FINANCING
CORPORATION (COFINA),

Debtor.

PROMESA

Title III

No. 17 BK 3284-LTS

**INFORMATIVE MOTION OF AAFAF IN SUPPORT OF (I) THE
COMMONWEALTH'S MOTION TO APPROVE THE RULE 9019 SETTLEMENT OF
THE COMMONWEALTH-COFINA DISPUTE, AND (II) CONFIRMATION OF THE
THIRD AMENDED COFINA PLAN OF ADJUSTMENT**

¹ The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

To the Honorable United States District Court Judge Laura Taylor Swain:

The Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”), as the entity authorized to act on the Debtor entities’ behalf under the Enabling Act of AAFAF, Act 2-2017, respectfully submits this informative motion in support of (I) *Commonwealth of Puerto Rico’s Motion Pursuant to Bankruptcy Rule 9019 for Order Approving Settlement Between Commonwealth of Puerto Rico and Puerto Rico Sales Tax Financing Corporation* [17-03283-LTS, ECF No. 4067], and (II) confirmation of the *Third Amended Title III Plan of Adjustment of Puerto Rico Sales Tax Financing Corporation* [17-03284-LTS, ECF No. 436] and respectfully states as follows:

AAFAF supports the Settlement and the COFINA Plan. Each is a significant step in Puerto Rico’s financial restructuring and both are building blocks in Puerto Rico’s effort to create a better future and a more resilient, stronger economy. Acting on behalf of the elected Government (and in the interest of the people of Puerto Rico), AAFAF has been integrally involved in negotiating the Settlement and developing the COFINA Plan over the past six months because it believes strongly that they are the best route to ending expensive and draining litigation over two critical issues: the dispute between COFINA and the Commonwealth over the apportionment of a portion of the SUT, and the dispute between senior and junior COFINA bondholders over allocation of COFINA’s portion of the SUT.

The Settlement eliminates the litigation risk of a “loser gets nothing” resolution to the dispute—which could have left the Government and people of Puerto Rico with a potentially disastrous outcome: billions of dollars less in cash available to the Commonwealth over the next 40 years. The Plan provides COFINA’s bondholders with certainty and a fair allocation of money between different classes and appropriately recognizes the risk to each.

AAFAF also notes that consummation of the Settlement and COFINA Plan will have extremely important practical consequences: resumption of debt service will provide needed income to debt security holders, including thousands of Puerto Rico's citizens who invested in COFINA bonds.

The Settlement and COFINA Plan demonstrate, again, the Government's willingness and ability to work closely with the Oversight Board, creditors, and other stakeholders to help engineer sophisticated, reliable, and fair capital-markets solutions to Puerto Rico's various restructuring challenges. They build on the Government's recently approved, successful restructuring of the Government Development Bank for Puerto Rico ("GDB"). The Government has shown both in GDB and here that when creditors act reasonably and with appropriate regard for the needs of Puerto Rico and its citizens, creditors will find a willing negotiating partner in the Government.

The Government is especially pleased that the COFINA Plan, like GDB's Qualifying Modification, has won overwhelming support from participating claimholders, with the final results showing over 96% of the aggregate principal amount of participating bond claims voting to accept the Plan, and thousands of voters across each class supporting the Plan.²

Finally, it bears special emphasis that the Puerto Rico Legislative Assembly has joined AAFAF (on behalf of the Governor) in playing a critical role in COFINA's restructuring—the Assembly passed, and the Governor signed, legislation that paves the way for the Settlement and COFINA Plan to become reality. Without this legislation, the Settlement and COFINA Plan could not have happened. Additionally, the Governor of Puerto Rico has worked cooperatively with COFINA stakeholders to appoint three highly credible and experienced, non-partisan individuals to sit on the board of directors of Reorganized COFINA. *See Plan Supplement and Plan Related*

² In the GDB Title VI restructuring, voters comprising over 74.8% of the aggregate principal amount of participating bond claims voted, achieving a 97.4% approval of the GDB's Qualifying Modification.

Documents of Puerto Rico Sales Tax Financing Corporation [17-03284-LTS, ECF No. 401], Ex.

L. These constructive efforts have significantly moved Puerto Rico's debt restructuring forward and will continue to do so in the months ahead.

Dated: January 15, 2019
San Juan, Puerto Rico

Respectfully submitted,

/s/ John J. Rapisardi

John J. Rapisardi
Suzanne Uhland
Peter Friedman
O'MELVENY & MYERS LLP
7 Times Square
New York, NY 10036
Tel: (212) 326-2000
Fax: (212) 326-2061

*Attorneys for the Puerto Rico Fiscal
Agency and Financial Advisory Authority*

Respectfully submitted,

/s/ Luis C. Marini-Biaggi

Luis C. Marini-Biaggi
USDC No. 222301
Carolina Velaz-Rivero
USDC No. 300913
MARINI PIETRANTONI MUÑIZ LLC
MCS Plaza, Suite 500
255 Ponce de León Ave.
San Juan, Puerto Rico 00917
Tel: (787) 705-2171
Fax: (787) 936-74943

*Attorneys for the Puerto Rico Fiscal
Agency and Financial Advisory Authority*